
STATE OF INDIANA

DISTRESSED UNIT APPEAL BOARD



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Distressed Unit Appeal Board Meeting Memorandum

November 15, 2018

Call to Order: A meeting of the Distressed Unit Appeals Board (“DUAB” or “Board”) was held on November 15, 2018, at 10:00 a.m. EDT at the Indiana Government Center South Building, Conference Room 14, Indianapolis, Indiana. Members of the Board attending the meeting in-person include Micah Vincent, Paul Joyce, and Wes Bennett. Representative Vernon Smith and Senator Eric Bassler attended by phone. Courtney Schaafsma, Executive Director, was also in attendance.

Chairman Vincent called the meeting to order and recognized compliance with the Open Door Law. Chairman Vincent noted that the Board would not take action on the October 10, 2018 minutes due to some changes to the minutes that were necessary.

Ms. Schaafsma presented the Executive Director’s Report. For Gary Community School Corporation (“GCSC”), she noted that GCSC had held their final budget adoption on October 22 and that the school corporation was getting ready to execute purchase agreements for six properties. Ms. Schaafsma then also discussed the introduction of the new emergency management lead, Dr. Peter Morikis, due to the retirement of Dr. Peggy Hinckley. Ms. Schaafsma also discussed progress made by the School Corporation Fiscal and Qualitative Indicators Committee and a conference she had attended in October.

Chairman Vincent introduced the next agenda item – consideration of the GCSC collective bargaining agreement. Ms. Schaafsma explained that the deadline for approving the agreement is November 15. Mr. Eric Parish, a member of the GCSC Emergency Management Team, presented the agreement in more detail. He noted that the agreement did not provide for any raises for teachers, but that changes had been made to insurance resulting in a net increase in cost of \$65,000. GCSC had agreed to absorb the increase in cost rather than pass it on to the employees. Representative Smith asked about the dollar change to retirees as a result of changing the way in which health insurance was grouped. Mr. Parish explained that the dollar impact would differ by individual. Mr. Joyce asked how funeral leave was handled in the contract. Mr. Parish indicated that funeral leave had not been changed from the prior agreement. Mr. Joyce made a motion that DUAB approve the GCSC collective bargaining agreement as presented. Mr. Bennett seconded. The Board voted 3-0 to approve the motion.

Chairman Vincent then introduced the next agenda item – consideration of the GCSC letter of engagement with Lewis & Kappes, P.C. for legal services. Mr. Parish explained that GCSC had gone through a request for proposal process, which resulted in two responses. While the final arrangement of legal services was still to be determined, GCSC wanted to proceed with the letter of engagement with Lewis & Kappes to allow the firm to work on special education issues facing the school corporation. Representative Smith asked for further information on the request for proposal process, and Mr. Parish indicated that bidders could respond on a variety of legal services listed in the request. Representative Smith then asked where GCSC currently stood in its contract with Robert Lewis & Associates, the

current counsel for GCSC. Mr. Parish stated that conversations were still ongoing with Robert Lewis & Associates and that GCSC anticipated having a letter of engagement with Robert Lewis & Associates for certain legal services moving forward. Representative Smith expressed concern about contracting with firms from outside of the City of Gary and the nature of the request for proposal. Mr. Joyce asked if there was a cap on the total fees for Lewis & Kappes. Mr. Parish indicated that there was no cap but that the letter of engagement was on an hourly basis which compared to the present monthly retainer would likely be budget-neutral. Mr. Bennett made a motion that DUAB approve the letter of engagement with Lewis & Kappes. Mr. Joyce seconded the motion. The Board voted 3-0 to approve the motion.

The next agenda item was the consideration of a Common School Fund loan request from Muncie Community Schools (“MCS”). Ms. Schaafsma explained that House Enrolled Act 1315 provided an opportunity for MCS to request a loan from the Common School Fund, with recommendation from DUAB and approval from the State Board of Finance. Presenting in-person on behalf of MCS was Mr. David Day, MCS General Counsel, and Mr. Bob Coddington, Interim MCS Chief Financial Officer. In addition, Mr. Jim Williams, MCS School Board President, and Mr. Steve Edwards, Interim MCS Administrator, attended by phone. Mr. Williams provided an update on progress made at MCS since July 2018. Mr. Edwards then explained the loan request and noting that the MCS School Board had approved a resolution requesting the loan at its recent meeting. Mr. Coddington walked the Board through MCS’ financials and cash flow analysis.

Mr. Joyce asked if MCS’ School Board planned to pass a resolution restricting the ability for a fund have a negative fund balance, except in certain situations such as grants. Mr. Williams indicated that the School Board has made known this expectation. Chairman Vincent asked about the proposed repayment schedule, and Mr. Coddington explained that that proposed repayment schedule accounted for existing debt payments and allowed the loan repayment to increase over time as debt dropped off.

Representative Smith asked about MCS’ plans for formerly closed elementary schools. Mr. Edwards explained that the buildings had been sold and were no longer assets of MCS. Mr. Williams added that Mitchell Elementary School was being converted into a Pre-K facility.

Mr. Joyce made a motion that DUAB recommend the loan request to the State Board of Finance in the amount of up to \$12 million, with repayment starting in July 2020 according to the proposed repayment schedule for a period of not more than 10 years. Mr. Bennett seconded. The Board voted 3-0 to approve the motion.

Chairman Vincent then introduced the agenda item – consideration of financial support for MCS. Ms. Schaafsma explained that DUAB has the ability to provide financial support up to \$1 million over State Fiscal Years 2019 and 2020. She explained that the resolution would authorize the \$1 million in financial support, broken into two payment of \$500,000 by state fiscal year. Mr. Joyce commented that MCS’ financial statements will need to start to show in Ball State University’s financial statements on an annual basis and using GAAP accounting, which may require some additional expenses on the part of MCS. Mr. Bennett made a motion that DUAB approve Resolution 2018-4, providing financial support to MCS not to exceed \$1 million. Mr. Joyce seconded. The Board voted 3-0 to approve the motion.

Chairman Vincent thanked the MCS team for attending the DUAB meeting and noted that he anticipated that this was the last time MCS would be before DUAB for consideration.

New business: Representative Smith asked about the timing of the GCSC budget adoption in relation to the meeting dates for the GCSC Advisory Board and Fiscal Management Board. Ms. Schaafsma noted that the budget adoption was timed to allow for adoption by the statutory November 1 deadline. Representative Smith then asked which properties are included in the GCSC purchase agreements. Ms. Schaafsma provided the list of impacted properties. Representative Smith asked about the current enrollment for GCSC. Ms. Schaafsma explained that GCSC had seen an increase in enrollment since the Fall count day. Representative Smith asked about GCSC Advisory Board positions for which no one filed to run for those positions. Ms. Schaafsma noted that the current members would continue to fill those roles unless they chose to resign from the position. Representative Smith noted that yard signs had begun to be placed in Gary, supporting the continuation of the Bethune Early Childhood Center.

Adjournment: Chairman Vincent adjourned the meeting at 11:23 a.m.